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THE SHORT-TERM ECONOMIC OUTLOOK FOR CANADA AND ONTARIO

Submitted to the Ontario Energy Board
as evidence for hearings on
The Ontario Hydro Bulk Power Rates for 1984
(H.R.12)

by

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CHASE ECONOMETRICS CANADA

May 16, 1983

TABLE OF CONTENTS

	Page
Forecast Summary	1
Comparison with Ontario Hydro Forecast	3
Details of the Forecast	
Real Growth	6
Inflation	10
Exchange Rates	11
Labour Market Conditions	13
Oil Prices	15
Natural Gas Prices	17
Coal Prices	19
Uranium Prices	19
Appendix	30

CHARTS

External Conditions	5
Selected Economic Indicators	7
Growth in Real Business Investment	8
Regional Housing Starts	9
Exchange Rate	12
Labour Market Conditions	14
Crude Oil: Price, Supply & Disposition	16
Natural Gas: Supply & Disposition	18

TABLES

Comparison of Key Economic Indicators	4
Forecast Tables	20

THE SHORT-TERM ECONOMIC OUTLOOK

FOR CANADA AND ONTARIO

FORECAST SUMMARY

The first official price rollback in OPEC's 20 year history has helped to step up the pace of recovery in western economies. The result has been expectations of lower inflation and faster economic growth, particularly in the United States. Substantial revisions in the National Accounts for the early part of 1982 have changed the shape and timing of the recovery in Canada. We now expect real growth this year of 2.6%.

Primary Forecast Assumptions

(1) In line with recent adjustments in the world oil market, imported oil is priced at US$28/barrel in 1983 and 1984.

(2) Canadian ceilings of 75% of the world prices for domestic oil and 65% for natural gas are relaxed.

(3) Real U.S. GNP grows by 2.5% and 4.4% in 1983 and 1984.

(4) U.S. CPI inflates at the rate of 4.5% and 5.2% in 1983 and 1984.

The impact of the 4.8% drop in 1982 real GNP will long be felt in the labour market: unemployment is likely to stay above 10% for 3 or 4 years, barring a far more sturdy recovery than is implicit in real GNP growth of 2.6% in 1983, and 4.1% in 1984.

Canadian inflation is expected to moderate fast. CPI inflation is projected to be 6.7% for 1983 and 6.4% in 1984. We are still of the view that some of this progress may be short-term due to price wars in food and energy products. We have been lucky in that food and energy prices can now be expected to increase much more slowly than in previous years. We share the Bank of Canada's concern about the potential for a renewal of inflationary pressures, although perhaps for different reasons. We have not seen

evidence that the fundamental problems of cost structure (capital efficiency, labour efficiency, labour cost) have been solved. We have seen some progress in getting wage inflation down, but investment has slowed dramatically, reducing the potential for more than cyclical productivity gains. Reduced price pressure accounts for 0.5-1% increase in 1983 GNP.

Offsetting these expected gains are increases in our forecast for imports. Canadian trade success in 1982 was largely a declining imports phenomenon, tied in with a severe slump in investment and consumer goods. The timing of the recovery could in part hinge on the extent to which imports will come back. We should also remember that automotive trade swung from a substantial deficit to a substantial surplus in 1982. We consider erosion in this surplus likely, since it was in large part a function of product mix (concentration of large car production in Canada). Presumably, the U.S. production mix will be adjusted, and earlier Canadian efforts to get a larger piece of small car production will have a perverse impact in a world of declining energy prices.

Moderation of construction prices, lower interest rates, government incentives, and a mild winter will make housing starts look good early in the year. We are somewhat hesitant to call for a boom in residential construction, but expect gains to be consolidated in the rest of the year. 1984 should see a further improvement, since incomes will increase as recovery takes hold. Business investment is not likely to be as low as the recent intentions survey has it.

There is evidence that investment will not drop 11% in real terms, as suggested by the investment intentions survey done in November 1982. A recovery of sorts is underway, profits are expected to increase 40-50% in 1983, interest rates have come down, government appreciation for the difficulties of the private sector is increasing. We expect a real decline of 6.5% in investment in 1983 followed by a 6% increase in 1984.

COMPARISON OF MAY ONTARIO HYDRO AND MAY CHASE ECONOMETRICS PROJECTIONS

After the May updates supplied by Ontario Hydro, two main differences remain:

1. The rate of growth projected for Ontario and Canada by Hydro is in our view unduly pessimistic. Under Hydro's scenario, the 1982 GNP losses will not be made up until after 1984. Three years of no net growth is not impossible, but at least debatable.
2. Under Hydro's scenario, real short interest rates (calculated as prime minus the CPI inflation rate) will stay at 5% in 1983 and 1984, very high for a recovery phase. The real long rate goes up to 5.5%. International and domestic pressures on the U.S. federal reserve will be very strong not to let this happen again.

The following differences strike us as less significant:

1. The differences on the unemployment rate appear to be due to lower Hydro estimates on labour force growth, and slightly higher net employment growth over the next two years. In view of recent volatility in both participation rates and productivity, about all one can say is that things will not improve much under either scenario.
2. Hydro expects a small appreciation of the Canadian dollar in 1984. We call for a small depreciation, based on poor relative inflation performance, and a weakening current account. Opinions are about equally divided on this issue. We merely wish to point out that most forecasters and most Canadians have had a bias to be bullish on the dollar for years, and have been consistently disappointed.

COMPARISON OF KEY ECONOMIC INDICATORS

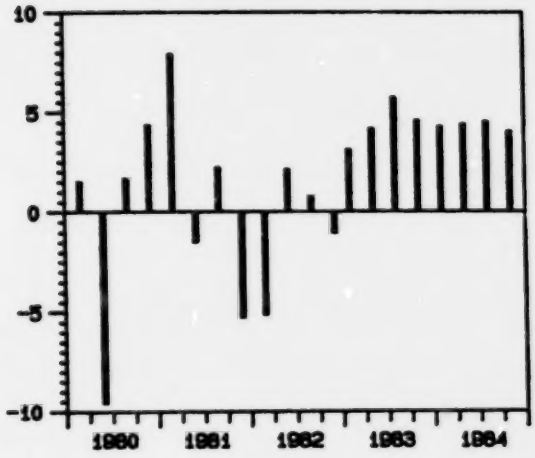
	Chase Econometrics		Ontario Hydro	
	1983	1984	1983	1984
CPI - Canada	6.7	6.4	6.5	6.0
- Ontario	7.0	6.7	6.5	6.0
Real GNP	2.6	4.1	1.5	3.0
Ontario GPP	2.8	4.5	1.5	3.0
Unemployment Rate	12.8	13.1	11.8	11.4
Interest Rates				
- prime	11.1	9.7	11.6	11.0
- short term paper	9.1	8.5		
- long term	10.5	9.7	11.8	11.5
US$/C$	.81	0.79	.805	0.81
Oil Prices				
- Canadian Oil C$	35.29*	34.20*	33.50	34.20
- U.S. Import Price US$	28.88	28.76	27.25	28.70
Gas Price C$/Mcf	4.07	4.31	4.00	4.15

* Toronto refinery gate price

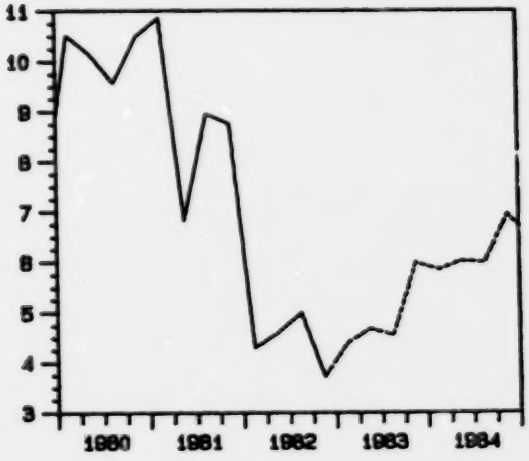
Data taken from the following documents:

Ontario Hydro Economic Outlook Winter Review, May 1983
Chase Econometrics, The Short-Term Economic Outlook for Canada and Ontario, May 16, 1983.

U.S. REAL GROSS NATIONAL PRODUCT
(%CHANGE - SAAR)



U.S. G.N.P. - PRICE DEFLATOR
(% CHANGE - SAAR)



DETAILS OF THE FORECAST

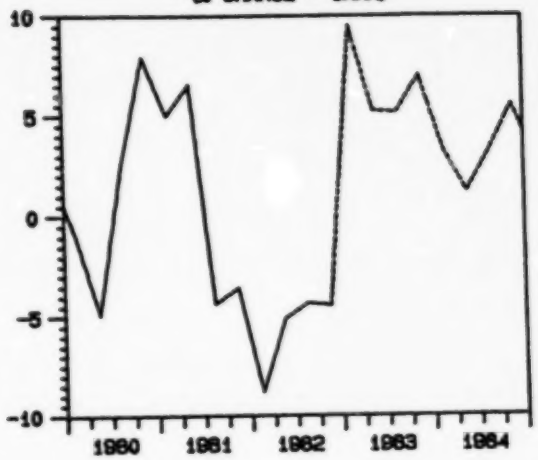
REAL GROWTH

Led by the growth in automobile and to some extent lumber production, Ontario Provincial Product will pick up faster than Canadian GNP during the 1983-84 recovery years. An upsurge in imports and a slow upturn in business investment will keep Canadian GNP growing at a slower pace.

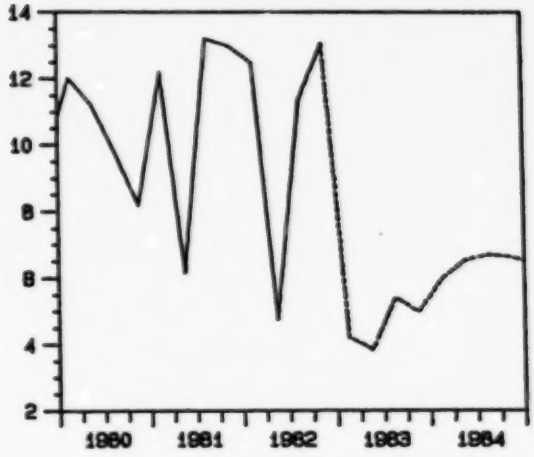
Real Growth - % Change

	Canada GNP	Ontario GPP	U.S. GNP
1981	3.0	1.0	1.9
1982	-4.8	-5.0	-1.7
1983	2.6	2.8	2.5
1984	4.1	4.5	4.4

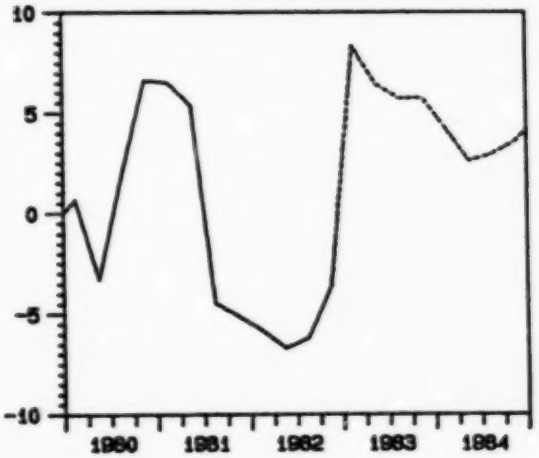
REAL GROSS NATIONAL PRODUCT
(% CHANGE - SAAR)



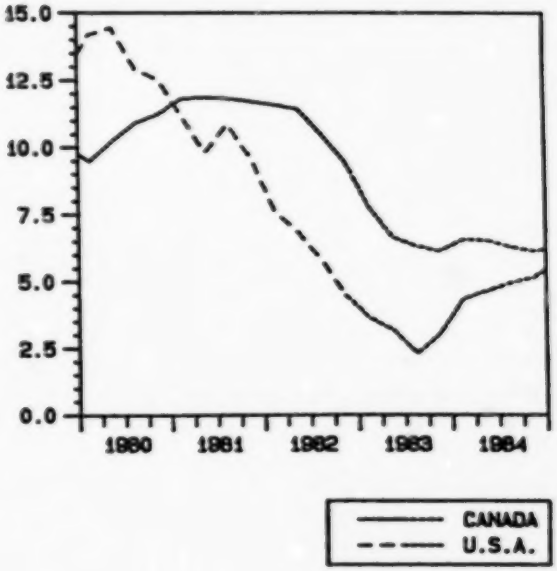
G.N.P. - IMPLICIT PRICE DEFLATOR
(% CHANGE - SAAR)



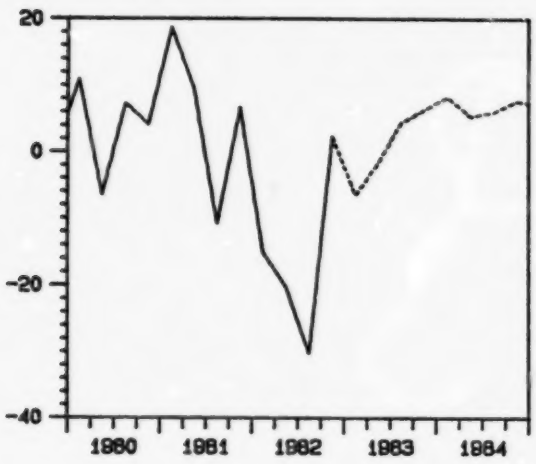
GROSS DOMESTIC PRODUCT
(% CHANGE - SAAR)



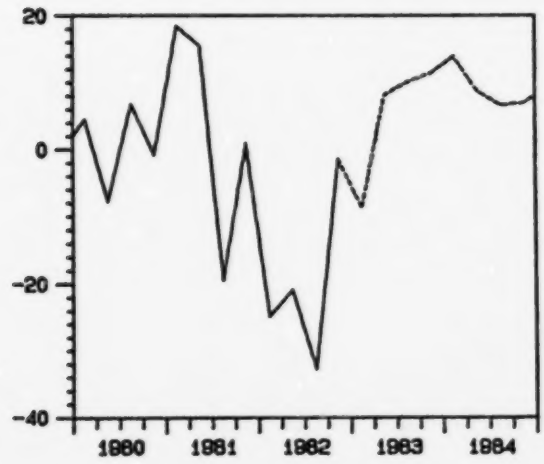
C.P.I. INFLATION
(YEAR OVER YEAR % CHANGE)

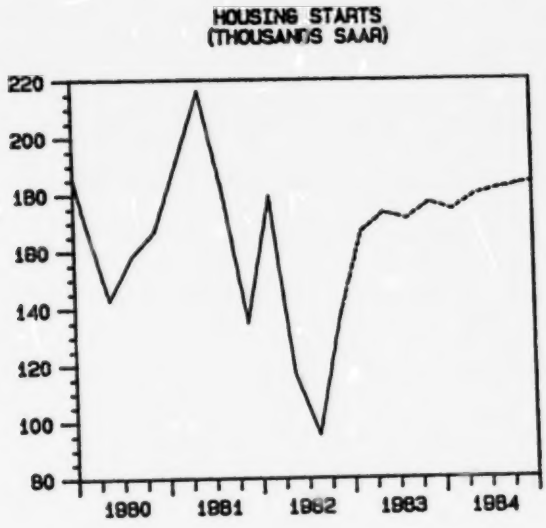


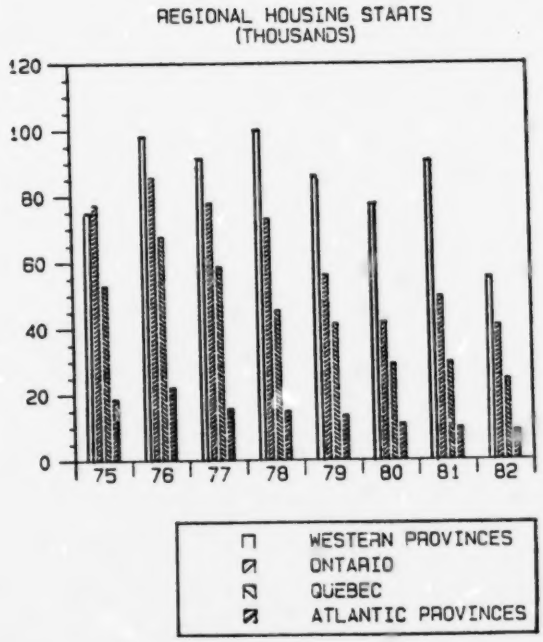
REAL BUSINESS FIXED INVESTMENT
(% CHANGE - SAAR)



INVESTMENT IN MACHINERY
AND EQUIPMENT
(% CHANGE - SAAR)




HOUSING STARTS
(THOUSANDS SAAR)
220
200
180
160
140
120
100
80
1980
1981
1982
1983
1984


REGIONAL HOUSING STARTS
(THOUSANDS)
120
100
80
60
40
20
0
75
76
77
78
79
80
81
82
WESTERN PROVINCES
ONTARIO
QUEBEC
ATLANTIC PROVINCES

INFLATION

We expect some moderation in Canadian inflation in 1983-84 on the assumption that progress in reducing wage inflation is sustained, not to mention the contributing effects of the price wars in food and energy products in the short run. The price pressures in Ontario will be about 0.3% higher due to a faster recovery than is projected for Western Canada.

CPI - % Change

	Canada	Ontario	U.S.
1981	12.6	12.5	10.3
1982	10.7	11.3	5.9
1983	6.7	7.0	4.5
1984	6.4	6.7	5.2

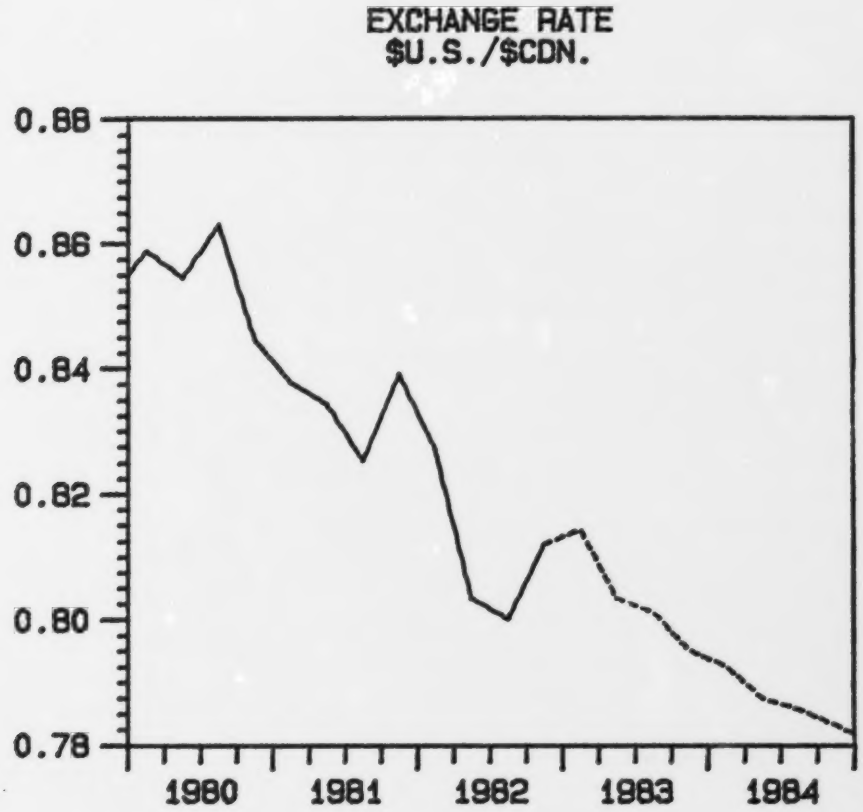
EXCHANGE RATES

The Canadian dollar has remained relatively strong over the last few months. Occasionally, the Bank of Canada supported the dollar, but it seems to have been carried primarily by good trade balance statistics. We continue to be of the view that the dollar will weaken. However, we have reduced the speed of depreciation because (1) inflation is now projected to be lower than before, (2) the interest rate spread with the U.S. has been widened somewhat, reflecting a view that lower nominal rates in the U.S. will make the Bank of Canada less reluctant to maintain real rates high in Canada in defense of the dollar. It is not clear whether the EMS turmoil will have an impact on the Canadian/U.S. exchange rate. The conventional wisdom has it that a declining U.S. dollar in European markets puts the Canadian dollar under pressure because attempts to deal in our currency take place in a thinner market. It also has been argued that an appreciation of the dollar hurts us because Canada is not as attractive as a haven for short run capital flows. We have some sympathy for the first of these views, but consider the entire matter at best of transitory and secondary importance.

We expect the German Mark to remain fairly strong vis-a-vis the U.S. dollar and the EMS currencies due to: (1) a continuing decline in the inflation rate to 2.4% in 1983 and 1.9% in 1984 from 4.5% in 1982, and (2) a healthy current account surplus. Modest wage increases and the decline in crude oil prices are expected to contribute mostly to the improvement in the inflation front.

The Swiss franc is also expected to exhibit continued strength due to the favourable climate for capital inflows and moderating inflation.

	US$/C$	DM/C$	SF/C$
1981	.83	1.88	1.63
1982	.81	1.97	1.64
1983	.81	1.89	1.59
1984	.84	1.84	1.57

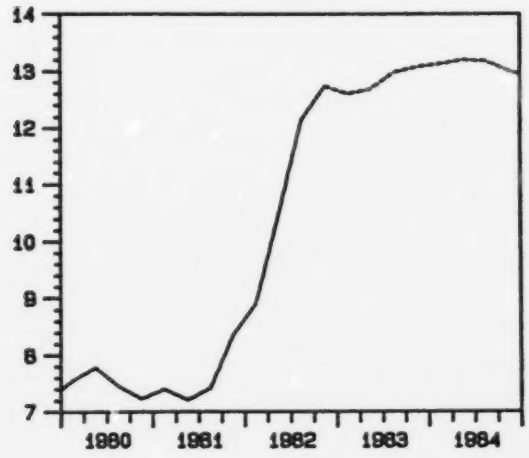

EXCHANGE RATE
$U.S./$CDN.
0.88
0.86
0.84
0.82
0.80
0.78
1980
1981
1982
1983
1984

LABOUR MARKET CONDITIONS

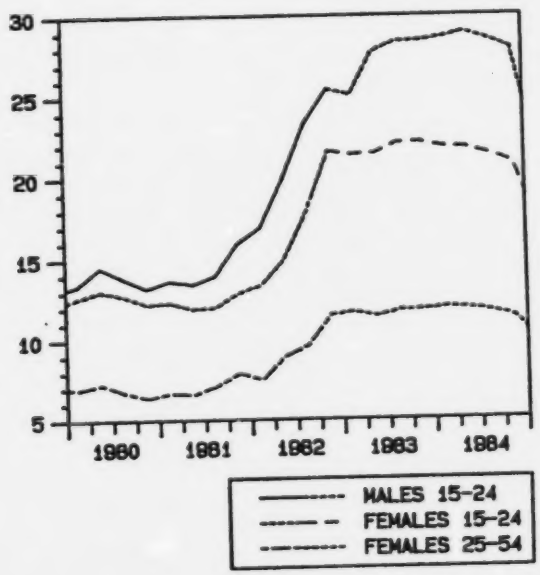
It now appears that erosion of employment has stopped, and that the participation rate is lower than it would be otherwise, due to a larger than anticipated discouraged worker effect. For the time being, that implies somewhat lower unemployment rates than forecast previously. We consider it entirely possible, that an 'encouraged worker effect' will set in when employment picks up, which could lead to a paradoxical rise in the unemployment rate. Talk of structural unemployment is in our view greatly exaggerated. 'High tech' has not much to do with our current problems. Past excesses in wage bargaining do.

	1980	1981	1982	1983	1984
CANADA					
Labour Force Growth	2.8	2.7	0.5	1.3	2.8
Employment Growth	2.8	2.6	-3.2	-0.7	2.5
Unemployment Rate	7.5	7.6	11.1	12.8	13.1
Average Weekly Wage, All Establishment	10.4	9.4	8.1	5.1	4.1
Average Weekly Earnings, Large Establishment	10.1	12.0	11.7	7.2	6.0
ONTARIO					
Unemployment Rate	6.9	6.6	9.9	11.5	11.9
Average Weekly Earnings, Large Establishment	9.1	11.7	11.5	7.0	5.8
Average Weekly Earnings, Large Establishment, Manufacturing	9.1	12.2	10.5	6.7	5.5
Average Weekly Earnings, Large Establishment, Construction	9.8	11.5	7.2	6.5	5.8

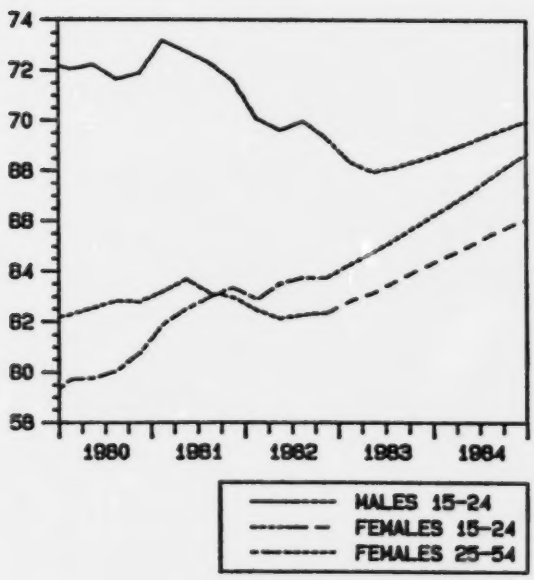
UNEMPLOYMENT RATE
(SAAR)



UNEMPLOYMENT RATE BY AGE/SEX
(SA)



PARTICIPATION RATE BY AGE/SEX
(SA)



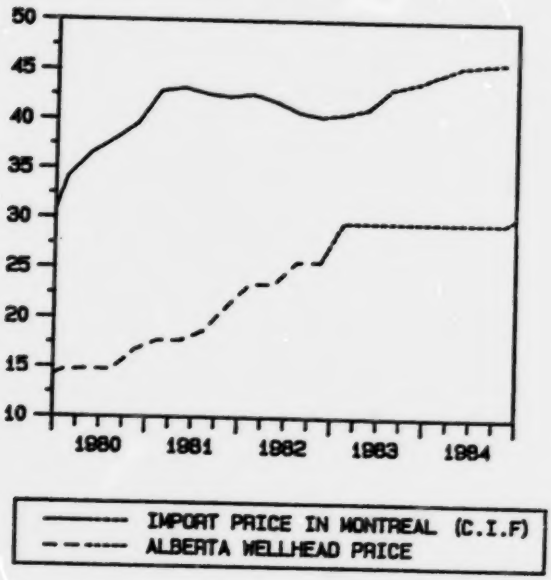
OIL PRICES

World oil prices are assumed to drop about $5 from peak levels. Canadian wellhead prices for conventional oil are downward inflexible. Alberta has indicated that it considers this to be the 'spirit' of the 1981 price agreement, despite the subsequent memo signed by Alberta's Leitch, which indicated that prices would be flexible downward after the 75% parity ceiling with world prices was reached. We have made the assumption, now shared by most economists, that the Alberta wellhead price will stay at $29.75 through 1984. This would seem to be in the interest of all parties. Federal and provincial treasuries need the revenues, as does the industry, if it is to go ahead with its investment plans.

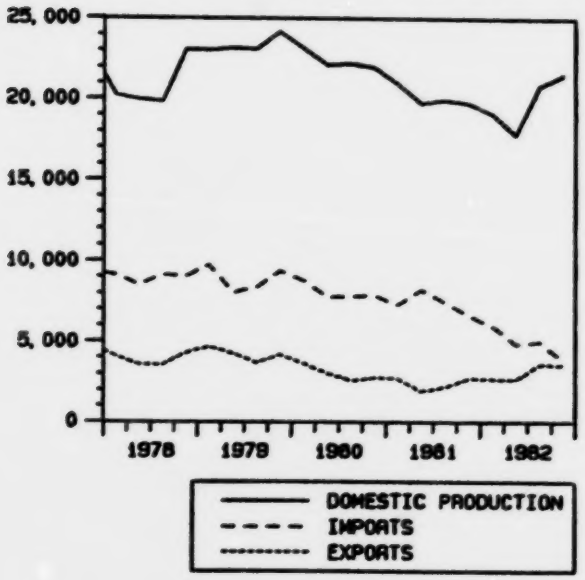
Oil Prices/Barrel

	1980	1981	1982	1983	1984
U.S. Import Price (US$)	31.01	34.65	32.23	28.88	28.76
Montreal Price (C$)	37.06	42.74	41.34	36.37	36.95
'Old' Oil Reference Price	15.26	18.88	24.63	29.75	29.75
Actual Well-Head Price	15.26	18.88	24.63	29.75	29.75
Transport & Gathering Fee	1.03	1.15	1.45	1.58	1.72
Import Tax	1.40	6.71	6.30	2.81	1.58
Canadianization Tax	0.00	0.77	1.15	1.15	1.15
Refinery Price	17.68	27.51	33.53	35.29	34.20
% Change	23.80	55.50	21.90	5.30	-3.10

PRICE OF CRUDE OIL
(ANNUAL AVERAGE, $ PER BARREL)



CRUDE OIL SUPPLY
AND DISPOSITION
(THOUSANDS OF CUBIC METERS)



NATURAL GAS PRICES

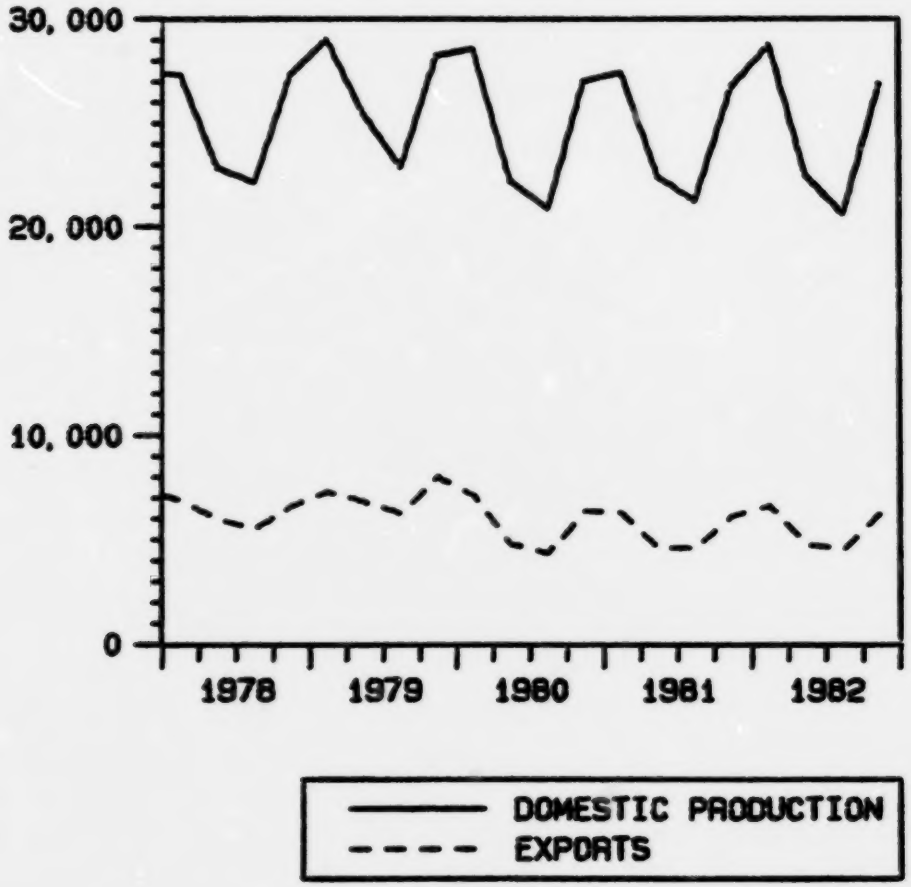
We assume that the 65% parity between gas and oil set out in the federal - Alberta energy pricing agreement will be relaxed. This implies negative natural gas taxes a few years from now. We have let the relative gas price go up to avoid implicit subsidies.

Natural Gas Prices

$/MCF

	1980	1981	1982	1983	1984
Alberta Border Price	1.69	1.88	2.16	2.72	3.22
Transport Fee	0.65	0.70	0.78	0.87	0.92
Natural Gas Tax	0.05	0.48	0.78	0.34	0.02
Cdn Ownership Chg	0.00	0.09	0.15	0.15	0.15
Toronto Gate Price	2.39	3.14	3.87	4.07	4.31
Gas/Oil Price Ratio					
BTU Equiv., Toronto	0.78	0.65	0.66	0.67	0.73

NATURAL GAS SUPPLY AND DISPOSITION
(MILLIONS OF CUBIC METERS)



COAL PRICES

The average price of U.S. coal delivered to electrical utilities increased 9% in 1982. The Chase Econometrics Energy Service expects an increase of 4.9% in 1983, and 8.7% in 1984. It is expected that Canadian imports from the U.S. will be supplanted to some degree with Western Canadian coal over this period. We understand that in Hydro's case coal costs are more closely related to UMW wage rates than to expected spot delivery prices. The existing UMW wage agreement runs out near the end of 1984. It specifies increases in wages of about 9% in 1983 and about 6.5% in 1984.

URANIUM PRICES

Demand for uranium on a spot basis continues to be weak. Most deliveries are taking place on a long-term basis at prices agreed to when future demand seemed to be much stronger. Average weighted contract export prices were C$110/Kg. in 1981, and C$113/Kg. in 1982. No increases are expected. The industry continues to be plagued by overcapacity and reductions in new planned nuclear installations. The 1982 spot price averaged US$17-$18 per pound. In March 1983, the price was $22.25. Only slight increases are expected as inefficient suppliers leave the industry over the next few years.

CHASE ECONOMETRICS CANADA
TABLE T1
SUMMARY
LEVEL

	1980	1981	1982	1983	1984
GNP NOMINAL $B	291.9	331.3	348.9	382.7	421.5
GNP DEFLATOR 71=100	223.7	246.3	272.6	291.2	308.1
GNP REAL 71$B	130.5	134.5	128.1	131.4	136.8
BUSINESS OUTPUT $71	83.6	85.8	80.2	82.6	86.5
PROFITS/GNP	12.5	9.9	6.2	9.0	10.8
WAGES/GNP	56.1	56.3	57.2	55.4	55.2
C.P.I. 71=100	211.3	236.3	261.6	279.1	297.0
IND. SELLING PRICES	247.2	272.4	288.7	298.5	314.7
LABOUR MARKET					
PARTICIPATION RATE	64.0	64.7	64.0	64.3	65.6
LABOUR FORCE MIL	11.52	11.83	11.90	12.05	12.38
EMPLOYMENT MIL	10.66	10.93	10.58	10.50	10.76
UNEMPLOYMENT RATE *	7.5	7.6	11.1	12.8	13.1
EMPLOYMENT RATIO *	59.2	59.8	57.0	55.8	56.6
REAL DISP INC 71$B	92.4	95.6	94.5	94.1	95.2
-PER WORKER 71$TH	8.7	8.7	8.9	9.0	8.9
WEEKLY WAGES CANADA	313.8	343.2	371.0	390.0	406.1
LARGE FIRMS	317.4	354.7	390.6	410.9	430.6
HOURLY WAGE MANUF.	8.2	9.2	10.2	11.0	11.6
FINANCIAL MARKETS					
PRIME RATE *	14.3	19.3	15.8	11.1	9.7
90 DAY PAPER RATE *	13.2	18.3	14.2	9.1	8.5
INDUSTRIALS (MYW)	13.2	16.2	15.9	12.2	11.8
10+ YR. GVT. CANADA	12.5	15.2	14.3	10.5	9.7
CDN. $/U.S.$	1.17	1.20	1.23	1.24	1.26
U.S. $/CDN.$	0.86	0.83	0.81	0.81	0.79
M1 $B	24.2	25.3	25.8	28.0	30.1
TRADE BALANCE CURRENT DOLLARS					
CURRENT ACCOUNT *	-1.1	-5.3	2.7	0.6	-2.4
GOODS AND SERVICES *	-2.3	-6.9	1.2	-1.1	-4.9
GOODS *	8.5	7.4	17.7	17.5	16.0
SERVICES *	-10.8	-14.3	-16.5	-18.6	-20.9
OTHER					
HOUSING STARTS '000	159.6	180.7	132.3	172.2	179.8
FED GVT BAL $B *	-10.2	-8.0	-21.1	-27.1	-22.7
SAVINGS RATE *	11.2	12.4	13.7	12.0	10.6
NEW CAR SALES '000	939.6	906.7	720.2	851.9	909.6

* CHANGES FROM PREVIOUS PERIOD ARE SHOWN IN LEVELS

TABLE T1
SUMMARY
PERCENTAGE CHANGE FROM PREVIOUS PERIOD

	1980	1981	1982	1983	1984
GNP NOMINAL $B	11.6	13.5	5.3	9.7	10.2
GNP DEFLATOR 71=100	11.1	10.1	10.7	6.8	5.8
GNP REAL 71$B	0.5	3.1	-4.8	2.6	4.1
BUSINESS OUTPUT $71	-0.6	2.6	-6.5	3.0	4.8
PROFITS/GNP	-3.5	-20.9	-36.9	44.4	20.3
WAGES/GNP	1.1	0.4	1.6	-3.1	-0.5
C.P.I. 71=100	10.5	11.8	10.7	6.7	6.4
IND. SELLING PRICES	13.5	10.2	6.0	3.4	5.4
LABOUR MARKET					
PARTICIPATION RATE	1.1	1.1	-1.0	0.5	1.9
LABOUR FORCE MIL	2.8	2.7	0.5	1.3	2.8
EMPLOYMENT MIL	2.8	2.6	-3.2	-0.7	2.5
UNEMPLOYMENT RATE *	0.1	0.1	3.5	1.8	0.3
EMPLOYMENT RATIO *	0.6	0.6	-2.8	-1.1	0.7
REAL DISP INC 71$B	1.7	3.5	-1.2	-0.4	1.2
-PER WORKER 71$TH	-1.0	0.9	2.1	0.4	-1.2
WEEKLY WAGES CANADA	10.4	9.4	8.1	5.1	4.1
LARGE FIRMS	10.1	11.8	10.1	5.2	4.8
HOURLY WAGE MANUF.	10.1	12.0	11.7	7.2	6.0
FINANCIAL MARKETS					
PRIME RATE *	1.4	5.0	-3.5	-4.7	-1.4
90 DAY PAPER RATE *	1.1	5.2	-4.2	-5.1	-0.5
INDUSTRIALS (MYW)	2.4	3.0	-0.3	-3.7	-0.4
10+ YR. GVT. CANADA	2.3	2.7	-1.0	-3.8	-0.8
CDN. $/U.S.$	-0.2	2.5	2.9	0.5	1.7
U.S. $/CDN.$	0.2	-2.5	-2.8	-0.6	-1.7
M1 $B	6.2	4.2	2.0	8.8	7.5
TRADE BALANCE CURRENT DOLLARS					
CURRENT ACCOUNT *	3.9	-4.3	8.0	-2.1	-3.0
GOODS AND SERVICES *	3.3	-4.6	8.2	-2.4	-3.7
GOODS *	4.4	-1.1	10.4	-0.2	-1.5
SERVICES *	-1.1	-3.4	-2.2	-2.1	-2.3
OTHER					
HOUSING STARTS '000	-19.2	13.2	-26.8	30.2	4.4
FED GVT BAL $B *	-0.9	2.2	-13.1	-6.0	4.4
SAVINGS RATE *	0.1	1.2	1.3	-1.7	-1.4
NEW CAR SALES '000	-6.2	-3.5	-20.6	18.3	6.8

* CHANGES FROM PREVIOUS PERIOD ARE SHOWN IN LEVELS

TABLE 2
GROSS NATIONAL EXPENDITURE
BILLIONS OF CURRENT DOLLARS S.A.A.R
LEVEL

	1980	1981	1982	1983	1984
CONSUMPTION (TOTAL)	168.4	191.0	206.0	224.8	246.6
DURABLES	24.2	26.6	25.8	28.7	32.1
AUTOS	11.2	12.2	11.4	12.8	15.0
HOUSEHOLD	5.8	6.4	6.1	7.1	8.0
OTHER	7.2	8.0	8.3	8.8	9.0
SEMI-DURABLES	20.6	22.8	23.1	24.7	27.0
NON-DURABLES	52.3	60.6	66.9	71.3	78.0
FOOD	25.2	28.6	30.7	32.8	36.0
ENERGY	11.9	14.6	16.7	17.2	18.0
OTHER	15.2	17.4	19.5	21.3	24.0
SERVICES	71.3	81.1	90.2	100.1	109.5
RENT	24.2	28.0	32.5	36.5	40.0
GOVERNMENT EXP.	66.9	76.1	86.4	95.8	103.3
CURRENT	58.5	66.7	75.7	84.1	90.7
CAPITAL	8.3	9.5	10.6	11.8	12.7
PRIVATE INVESTMENT	60.6	71.3	65.8	67.4	76.8
BUSINESS	46.6	55.1	53.0	51.8	59.1
MACH. AND EQUIP.	24.2	28.1	25.4	24.9	29.7
NON-RES. CONSTR.	22.5	27.1	27.7	26.9	29.5
HOUSING	14.0	16.1	12.7	15.6	17.7
CAPITAL FORMATION PUBLIC AND PRIVATE	68.9	80.8	76.4	79.2	89.5
FINAL DOM. DEMAND	295.9	338.4	358.2	388.0	426.8
NON-FARM BUS. INV. *	-1.4	0.3	-9.3	-1.8	2.9
FARM INV. AND GICC *	-0.5	0.5	0.5	0.2	0.0
EXPORTS (TOTAL)	90.9	99.5	100.4	101.3	117.8
GOODS	76.8	84.2	84.5	85.1	99.5
SERVICES	14.2	15.2	15.9	16.2	18.3
IMPORTS (TOTAL)	93.3	106.4	99.1	102.4	122.7
GOODS	68.3	76.9	66.7	67.6	83.5
SERVICES	25.0	29.5	32.4	34.8	39.2
EXPORT BALANCE *	-2.3	-6.9	1.2	-1.1	-4.9
GOODS *	8.5	7.4	17.7	17.5	16.0
SERVICES *	-10.8	-14.3	-16.5	-18.6	-20.9
RESIDUAL ERROR *	0.1	-1.0	-1.7	-2.6	-3.2
G.N.E.	291.9	331.3	348.9	382.7	421.5
G.N.E. EX. ERROR	291.7	332.3	350.6	385.3	424.8

* CHANGES FROM PREVIOUS PERIOD ARE SHOWN IN LEVELS

TABLE 2
GROSS NATIONAL EXPENDITURE
BILLIONS OF CURRENT DOLLARS S.A.A.R
PERCENTAGE CHANGE FROM PREVIOUS PERIOD

	1980	1981	1982	1983	1984
CONSUMPTION (TOTAL)	11.9	13.4	7.8	9.1	9.7
DURABLES	6.7	10.0	-3.1	11.3	11.8
AUTOS	4.6	9.8	-7.0	12.7	16.7
HOUSEHOLD	6.9	8.8	-4.4	16.0	14.0
OTHER	9.9	11.2	3.8	5.9	2.9
SEMI-DURABLES	9.9	10.6	1.3	7.0	9.4
NON-DURABLES	13.2	15.9	10.4	6.5	9.4
FOOD	11.1	13.4	7.5	6.8	9.7
ENERGY	17.3	22.1	14.7	3.0	4.4
OTHER	13.5	15.0	11.8	9.2	13.0
SERVICES	13.4	13.7	11.3	11.0	9.4
RENT	13.1	15.6	16.2	12.3	9.5
GOVERNMENT EXP.	11.9	13.7	13.6	10.9	7.8
CURRENT	11.9	14.0	13.5	11.0	7.9
CAPITAL	11.9	15.1	11.7	10.7	7.7
PRIVATE INVESTMENT	13.8	17.6	-7.7	2.4	14.0
BUSINESS	19.2	18.2	-3.8	-2.3	14.1
MACH. AND EQUIP.	15.1	16.2	-9.6	-1.9	19.2
NON-RES. CONSTR.	24.0	20.4	2.2	-2.7	9.5
HOUSING	-1.1	15.4	-21.1	22.3	13.7
CAPITAL FORMATION PUBLIC AND PRIVATE	13.6	17.3	-5.4	3.6	13.1
FINAL DOM. DEMAND	12.3	14.4	5.8	8.3	10.0
NON-FARM BUS. INV. *	-4.9	1.7	-9.6	7.5	4.7
FARM INV. AND GICC *	-0.6	1.0	0.0	-0.3	-0.2
EXPORTS (TOTAL)	17.8	9.4	0.9	0.9	16.3
GOODS	17.6	9.7	0.3	0.7	17.0
SERVICES	19.0	7.6	4.3	1.8	12.7
IMPORTS (TOTAL)	12.7	14.0	-6.8	3.3	19.8
GOODS	11.7	12.6	-13.2	1.3	23.5
SERVICES	15.5	18.0	9.8	7.5	12.4
EXPORT BALANCE *	3.3	-4.6	8.2	-2.4	-3.7
GOODS *	4.4	-1.1	10.4	-0.2	-1.5
SERVICES *	-1.1	-3.4	-2.2	-2.1	-2.3
RESIDUAL ERROR *	0.1	-1.1	-0.7	-0.9	-0.6
G.N.E.	11.6	13.5	5.3	9.7	10.2
G.N.E. EX. ERROR	11.5	13.9	5.5	9.9	10.2

* CHANGES FROM PREVIOUS PERIOD ARE SHOWN IN LEVELS

TABLE 3
GROSS NATIONAL EXPENDITURE
IMPLICIT DEFLATORS 1971=100 S.A.A.R
LEVEL

	1980	1981	1982	1983	1984
CONSUMPTION (TOTAL)	205.4	228.7	252.8	270.8	287.5
DURABLES	169.3	184.4	195.7	204.9	218.1
AUTOS	188.2	209.3	224.2	235.1	253.2
HOUSEHOLD	168.5	182.9	197.4	208.0	219.7
OTHER	146.9	156.8	165.7	170.9	176.4
SEMI-DURABLES	183.9	197.7	210.0	221.1	234.3
NON-DURABLES	230.2	264.1	294.6	314.5	334.5
FOOD	258.9	287.8	306.6	320.2	347.3
ENERGY	253.2	319.5	378.0	394.2	400.5
OTHER	183.4	206.4	235.5	264.1	283.9
SERVICES	211.0	234.0	260.6	284.5	302.4
RENT	196.3	219.5	248.9	274.2	294.4
GOV'T G. AND S.	253.3	286.0	321.1	352.7	375.8
HOUSING	253.8	277.6	285.9	288.8	315.0
BUSINESS INVESTMENT	222.6	247.4	269.2	280.8	302.4
MACH. AND EQUIP.	214.8	238.5	258.1	268.1	289.7
NON-RES. CONSTR.	231.5	257.2	280.1	294.2	317.8
FINAL DOM. DEMAND	219.4	244.8	270.2	289.5	308.3
EXPORTS (TOTAL)	280.1	301.7	309.1	315.6	340.1
GOODS	290.9	310.0	311.6	315.3	340.5
SERVICES	233.4	263.0	296.6	317.5	337.6
IMPORTS (TOTAL)	258.4	287.0	298.5	308.8	338.8
GOODS	267.8	296.8	302.1	307.0	337.1
SERVICES	235.6	264.2	291.2	312.2	342.4
TERMS OF TRADE	108.5	105.1	103.5	102.3	100.4
G.N.E.	223.7	246.3	272.6	291.2	308.1
G.N.E. EX. ERROR	223.7	246.4	272.6	291.2	308.1
C.P.I.	211.3	236.3	261.6	279.1	297.0
EXCHANGE RATE					
CDN.$/U.S.$	1.17	1.20	1.23	1.24	1.26
U.S.$/CDN.$	0.86	0.83	0.81	0.81	0.79

TABLE 3
GROSS NATIONAL EXPENDITURE
IMPLICIT DEFLATORS 1971=100 S.A.A.R
PERCENTAGE CHANGE FROM PREVIOUS PERIOD

	1980	1981	1982	1983	1984
CONSUMPTION (TOTAL)	10.7	11.4	10.5	7.1	6.2
DURABLES	8.6	8.9	6.1	4.7	6.4
AUTOS	11.6	11.2	7.1	4.8	7.7
HOUSEHOLD	7.3	8.5	7.9	5.4	5.6
OTHER	6.5	6.7	5.7	3.1	3.2
SEMI-DURABLES	11.2	7.5	6.2	5.3	6.0
NON-DURABLES	12.2	14.7	11.5	6.8	6.4
FOOD	11.3	11.2	6.5	4.4	8.5
ENERGY	15.4	26.2	18.3	4.3	1.6
OTHER	11.7	12.6	14.1	12.2	7.5
SERVICES	9.8	10.9	11.4	9.1	6.3
RENT	8.5	11.9	13.4	10.1	7.4
GOV'T G. AND S.	12.8	12.9	12.3	9.8	6.5
HOUSING	5.4	9.4	3.0	1.0	9.1
BUSINESS INVESTMENT	11.1	11.2	8.8	4.3	7.7
MACH. AND EQUIP.	10.2	11.0	8.2	3.8	8.[illegible]
NON-RES. CONSTR.	11.9	11.1	8.9	5.1	8.0
FINAL DOM. DEMAND	10.8	11.6	10.4	7.1	6.5
EXPORTS (TOTAL)	15.7	7.7	2.5	2.1	7.7
GOODS	16.7	6.5	0.5	1.2	8.0
SERVICES	11.9	12.7	12.8	7.0	6.3
IMPORTS (TOTAL)	15.0	11.1	4.0	3.4	9.7
GOODS	16.7	10.8	1.8	1.6	9.8
SERVICES	11.2	12.1	10.2	7.2	9.7
TERMS OF TRADE	0.7	-3.0	-1.5	-1.2	-1.8
G.N.E.	11.1	10.1	10.7	6.8	5.8
G.N.E. EX. ERROR	11.1	10.1	10.7	6.8	5.8
C.P.I.	10.5	11.8	10.7	6.7	6.4
EXCHANGE RATE					
CDN.$/U.S.$	-0.2	2.5	2.9	0.5	1.7
U.S.$/CDN.$	0.2	-2.5	-2.8	-0.6	-1.7

TABLE 4
GROSS NATIONAL EXPENDITURE
BILLIONS OF CONSTANT 1971 DOLLARS S.A.A.R.
LEVEL

	1980	1981	1982	1983	1984
CONSUMPTION (TOTAL)	82.0	83.5	81.5	83.0	85.7
DURABLES	14.3	14.4	13.2	14.0	14.7
AUTOS	5.9	5.9	5.1	5.5	5.9
HOUSEHOLD	3.5	3.5	3.1	3.4	3.7
OTHER	4.9	5.1	5.0	5.1	5.1
SEMI-DURABLES	11.2	11.5	11.0	11.2	11.5
NON-DURABLES	22.7	22.9	22.7	22.7	23.3
FOOD	9.7	9.9	10.0	10.2	10.4
ENERGY	4.7	4.6	4.4	4.4	4.5
OTHER	8.3	8.4	8.3	8.1	8.5
SERVICES	33.8	34.6	34.6	35.2	36.2
RENT	12.3	12.8	13.1	13.3	13.6
GOV'T G. AND S.	26.4	26.6	26.9	27.2	27.5
HOUSING	5.5	5.8	4.5	5.4	5.6
BUSINESS INVESTMENT	21.0	22.3	19.7	18.4	19.5
MACH. AND EQUIP.	11.2	11.8	9.8	9.3	10.2
NON-RES. CONSTR.	9.7	10.5	9.9	9.2	9.3
FINAL DOM. DEMAND	134.8	138.2	132.6	134.0	138.4
NON-FARM BUS. INV. *	-0.6	0.6	-3.3	-0.6	1.0
FARM INV. AND GICC *	-0.2	0.2	0.1	-0.1	0.0
EXPORTS (TOTAL)	32.4	33.0	32.5	32.1	34.6
GOODS	26.4	27.2	27.1	27.0	29.2
SERVICES	6.1	5.8	5.4	5.1	5.4
IMPORTS (TOTAL)	36.1	37.1	33.2	33.2	36.2
GOODS	25.5	25.9	22.1	22.0	24.8
SERVICES	10.6	11.2	11.1	11.2	11.4
EXPORT BALANCE *	-3.7	-4.1	-0.7	-1.1	-1.6
GOODS *	0.9	1.3	5.0	5.0	4.5
SERVICES *	-4.5	-5.4	-5.8	-6.1	-6.0
RESIDUAL ERROR *	0.1	-0.4	-0.6	-0.9	-1.1
G.N.E.	130.5	134.5	128.1	131.4	136.8
G.N.E. EX. ERROR	130.4	134.9	128.7	132.3	137.8

* CHANGES FROM PREVIOUS PERIOD ARE SHOWN IN LEVELS

TABLE 4
GROSS NATIONAL EXPENDITURE
BILLIONS OF CONSTANT 1971 DOLLARS S.A.A.R.
PERCENTAGE CHANGE FROM PREVIOUS PERIOD

	1980	1981	1982	1983	1984
CONSUMPTION (TOTAL)	1.1	1.9	-2.5	1.9	3.3
DURABLES	-1.8	1.1	-8.8	6.2	5.1
AUTOS	-6.3	-1.2	-13.2	7.5	8.3
HOUSEHOLD	-0.4	0.5	-11.6	10.0	8.0
OTHER	3.2	4.2	-1.8	2.7	-0.3
SEMI-DURABLES	-1.2	2.9	-4.6	1.6	3.2
NON-DURABLES	0.8	1.0	-0.9	-0.3	2.8
FOOD	-0.2	1.9	0.9	2.3	1.1
ENERGY	1.5	-3.1	-3.0	-1.4	2.8
OTHER	1.6	2.2	-2.0	-2.7	5.1
SERVICES	3.3	2.5	-0.1	1.7	2.9
RENT	4.2	3.3	2.5	2.0	2.0
GOV'T G. AND S.	-0.7	0.7	1.3	1.0	1.2
HOUSING	-6.1	5.6	-23.5	20.9	4.4
BUSINESS INVESTMENT	7.4	6.4	-11.5	-6.5	6.0
MACH. AND EQUIP.	4.5	4.6	-16.4	-5.6	10.3
NON-RES. CONSTR.	11.0	8.4	-6.0	-7.3	1.6
FINAL DOM. DEMAND	1.3	2.5	-4.1	1.1	3.3
NON-FARM BUS. INV. *	-2.4	1.3	-3.9	2.7	1.5
FARM INV. AND GICC *	-0.1	0.3	-0.1	-0.2	0.1
EXPORTS (TOTAL)	1.8	1.6	-1.5	-1.2	7.9
GOODS	0.8	3.1	-0.2	-0.5	8.3
SERVICES	6.4	-4.6	-7.4	-4.9	6.0
IMPORTS (TOTAL)	-2.0	2.6	-10.4	-0.2	9.2
GOODS	-4.3	1.6	-14.7	-0.4	12.5
SERVICES	3.9	5.2	-0.3	0.2	2.5
EXPORT BALANCE *	1.3	-0.4	3.4	-0.3	-0.5
GOODS *	1.4	0.4	3.8	-0.1	-0.5
SERVICES *	0.0	-0.8	-0.4	-0.3	0.0
RESIDUAL ERROR *	0.1	-0.5	-0.2	-0.3	-0.2
G.N.E.	0.5	3.1	-4.8	2.6	4.1
G.N.E. EX. ERROR	0.4	3.5	-4.6	2.8	4.2

* CHANGES FROM PREVIOUS PERIOD ARE SHOWN IN LEVELS

TABLE 5
NATIONAL INCOME
BILLIONS OF CURRENT DOLLARS S.A.A.R.
LEVEL

	1980	1981	1982	1983	1984
TOTAL LABOUR INCOME	163.8	186.6	199.5	212.1	232.5
PRIVATE WAGES	110.6	125.3	129.4	133.7	144.7
OTHER WAGES	41.5	47.6	55.6	63.0	70.9
SUPPL. LABOUR INCOME	11.7	13.7	14.5	15.4	16.9
MILITARY PAY	1.7	1.9	2.2	2.4	2.5
CORPORATE PROFITS	36.5	32.6	21.8	34.5	45.7
I.V.A. *	-7.1	-7.0	-3.8	-2.7	-5.0
PROFITS AFTER I.V.A.	29.4	25.6	18.0	31.9	40.7
INT. PLUS INVEST. INCOME	22.2	27.0	29.7	30.5	31.4
ACCRUED FARM INCOME	4.0	4.5	4.6	4.4	3.9
N.F. UNINCORP. BUS. INCOME	11.7	13.3	14.0	15.8	17.8
SUBTRACT: DIVIDENDS ABROAD	3.1	3.7	3.4	3.4	3.8
NET NATIONAL INCOME	229.5	255.1	264.8	293.6	325.0
INDIRECT TAXES LESS SUBS.	29.0	37.6	40.6	41.9	45.1
C.C.A.	33.4	37.6	41.9	44.6	48.2
RES. ERROR *	-0.1	1.0	1.7	2.6	3.2
G.N.P.	291.9	331.3	348.9	382.7	421.5
GDP AT FACTOR COST	271.4	305.1	324.8	360.7	399.4
GROSS PRIV.BUS.PROD.	193.8	211.5	214.1	237.3	265.2
PERCENTAGE SHARE OF GROSS PRIVATE BUSINESS PRODUCT *					
WAGES AND BENEFITS	61.5	64.0	65.2	60.9	59.0
CORPORATE PROFITS	18.8	15.5	10.2	14.5	17.2
UNINCORP. BUS. INC.	6.0	6.3	6.5	6.6	6.7
CORPORATION C.C.A.	9.1	9.4	10.3	10.0	9.8
OTHER	4.5	4.8	7.8	7.9	7.3

* CHANGES FROM PREVIOUS PERIOD ARE SHOWN IN LEVELS

TABLE 5
NATIONAL INCOME
BILLIONS OF CURRENT DOLLARS S.A.A.R.
PERCENTAGE CHANGE FROM PREVIOUS PERIOD

	1980	1981	1982	1983	1984
TOTAL LABOUR INCOME	12.8	13.9	6.9	6.3	9.6
PRIVATE WAGES	12.8	13.4	3.2	3.4	8.2
OTHER WAGES	13.9	14.7	17.0	13.1	12.6
SUPPL. LABOUR INCOME	8.9	16.8	5.9	6.3	9.8
MILITARY PAY	7.8	12.0	17.9	7.3	5.0
CORPORATE PROFITS	7.4	-10.5	-33.3	58.6	32.4
I.V.A. *	0.0	0.1	3.2	1.1	-2.3
PROFITS AFTER I.V.A.	9.4	-12.7	-29.8	77.1	27.8
INT. PLUS INVEST. INCOME	16.0	21.6	10.2	2.6	2.9
ACCRUED FARM INCOME	2.5	11.7	3.9	-6.0	-11.0
N.F. UNINCORP. BUS. INCOME	9.2	13.9	5.6	12.4	13.1
SUBTRACT: DIVIDENDS ABROAD	1.7	20.0	-10.3	2.0	11.2
NET NATIONAL INCOME	12.4	11.1	3.8	10.9	10.7
INDIRECT TAXES LESS SUBS.	4.3	29.7	7.9	3.3	7.5
C.C.A.	13.2	12.5	11.3	6.5	8.1
RES. ERROR *	-0.1	1.1	0.7	0.9	0.6
G.N.P.	11.6	13.5	5.3	9.7	10.2
GDP AT FACTOR COST	12.1	12.4	6.5	11.1	10.7
GROSS PRIV.BUS.PROD.	12.8	9.1	1.2	10.9	11.7
PERCENTAGE SHARE OF GROSS PRIVATE BUSINESS PRODUCT *					
WAGES AND BENEFITS	-0.2	2.5	1.2	-4.3	-1.9
CORPORATE PROFITS	-0.9	-3.4	-5.3	4.4	2.7
UNINCORP. BUS. INC.	-0.2	0.3	0.3	0.1	0.1
CORPORATION C.C.A.	0.2	0.3	0.8	-0.2	-0.3
OTHER	1.1	0.3	3.0	0.1	-0.6

* CHANGES FROM PREVIOUS PERIOD ARE SHOWN IN LEVELS

CURRICULUM VITAE

Leo de Bever

Director, Chase Econometrics Canada	1980-present
Chief Forecaster, Bank of Canada	1978-1980
Economist, Bank of Canada	1975-1978
Research Associate, U. of Wisconsin	1974-1975
PhD in Economics, University of Wisconsin	1976
MA in Economics, University of Wisconsin	1972
BA in Economics, University of Oregon	1970
Previous education in the Netherlands.	
Phi Beta Kappa, University of Oregon	1970

As Director of Chase Econometrics Canada I am responsible for Chase's Canadian forecast, a syndicated service used worldwide by over 100 corporations and government institutions involved in short and long-term planning. I direct an active consulting practice which addresses macro and micro issues affecting individual clients. Among the published studies produced recently is an analysis of the impact of microelectronics on Canadian output and employment in the eighties, for the Ontario Government.

Many of our studies involve the use of the Chase model of the Canadian economy, and its very cost-effective software, both developed by my staff and me over the last two years. Our model offers an economical means of formulating economic projections by mechanizing about 80 percent of the work, i.e. the monitoring of relatively uncontroversial economic relationships, leaving the analyst free to focus on the remaining 20 percent, consisting of evaluation of economic importance of policy shifts and socio-economic trends with little or no historical precedent.

At the Bank of Canada, I directed the construction of the Bank's forecasting model RDXF, and supervised its use in bank-wide forecasting. Designed the appropriate software tools. Managed a staff of 12 on a continuous basis, and a matrix organization of 30-40 during forecasting exercises. Was responsible for a large computing budget.

Authored several articles on fiscal policy transmission channels. Wrote a number of instruction manuals, and workpapers on practical issues related to cost effective macro-economic analysis.

Focused on economic growth and productivity issues during my graduate training period. Was exposed to practical issues of managing large-scale food retailing organizations, prior to coming to North America.

Born June 4, 1948. Married, 2 Children.

POOR

QUALITY

ORIGINAL